

April 16, 2007

Federal Trade Commission/
Office of the Secretary
Room H-135 (Annex A)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: **AHAM Comments on Appliance Labeling Rule Amendments, R511994**

The Association of Home Appliance Manufacturers (AHAM) appreciates the opportunity to comment on the Federal Trade Commission's (FTC) proposed changes to the Appliance Labeling Rule as directed under the Energy Policy and Conservation Act of 2005 (EPACT). AHAM is the trade association representing the manufacturers of major, portable and floor care home appliances, and suppliers to the industry.

Consumer Research Study

AHAM supports the methodology and conclusions of FTC's consumer research study. We believe the results align with the conclusions reached by AHAM's consumer research. Both studies illustrate the utility of the *EnergyGuide* label as a tool to help consumers make informed decisions regarding energy usage when purchasing home appliances. Also reflected by the FTC and AHAM research is that the benefits of "continuous style" labeling outweigh those of the categorical approach. AHAM believes that these studies speak for themselves and thus the FTC has acted accordingly by proposing to keep the continuous style format with some minor modifications.

Proposed Changes to the *EnergyGuide* Label

AHAM supports the proposed changes to the *EnergyGuide* label. The Commission is correctly retaining the continuous style format which will allow consumers to accurately and easily compare products when purchasing home appliances. The *EnergyGuide* label will communicate to consumers in real terms the operating cost of appliances and how they compare with similar models in both cost and energy usage by using operating cost as the focus of the disclosure in the range of comparability. Maintaining kWh usage disclosure on the label lets consumers also compare hard numbers when seeking to purchase an appliance.

AHAM believes that the FTC is fulfilling its mission as set forth in EPACT by not proposing a wholesale redesign of the label but instead making a few adjustments and maintaining relevant information. The changes to the *EnergyGuide* label make it easier for consumers to identify the information most important to them and provide a better presentation of relevant information in an easier to read format. AHAM believes that these changes will lead the *EnergyGuide* label to become a more widely recognized and effective tool for home appliance consumers.

The FTC's proposal to keep the current continuous style label with some changes also keeps the label from interfering with the Department of Energy (DOE) and Environmental Protection Agency (EPA) ENERGY STAR program. The *EnergyGuide* label gives useful information by providing the range of comparability for energy cost while reserving the designation for highly efficient products for the ENERGY STAR logo. In doing so, the *EnergyGuide* label permits consumers to clearly gauge the cost of operating each appliance along with its energy usage and compare those factors with models across the spectrum while still allowing them to plainly identify highly efficient products.

AHAM wishes to comment on the proposed location and relative size of the ENERGY STAR logo on the revised *EnergyGuide* label. As previously stated, the revising of the *EnergyGuide* label must be done in a way so as not to diminish or compromise the integrity of the ENERGY STAR program. AHAM believes that in its current state, as proposed in Sample 2, the ENERGY STAR logo is too small and is not prominently identified on the label.¹ The goal of the *EnergyGuide* label is to allow consumers to make informed choices regarding energy when purchasing home appliances, whereas the mission of ENERGY STAR is to drive consumers to purchase more efficient products. Therefore, we suggest that on the proposed label, the ENERGY STAR logo be enlarged and placed in the top third of the label. This will allow consumers to easily identify those products that meet the ENERGY STAR specifications and are being recognized for their efficiency.

Average Annual Energy Cost as Primary Disclosure

The FTC proposes making annual operating cost the predominant method of disclosure on the *EnergyGuide* label and is seeking comment on whether another time frame of disclosure would be more appropriate. AHAM supports the use of annual operating cost as the primary method of disclosure. This approach directs consumers to consider what role energy efficiency plays in their purchase. Consumers who are specifically seeking out efficient models can plainly compare models by studying operating costs. Those who are more concerned with the economics of purchasing and operating an appliance may choose the product that has an adequate trade-off between purchase price and operating cost. Consumers would also be able to compare the implications of their purchase as it relates to their monthly energy bill. The continuous style operating cost format allows consumers of every economic background to make the most reasonable and energy efficient purchase.

Disclosing operating costs over a longer period of time could complicate both the information displayed on the label and consumer ability to compare products. Presenting operating costs over an extended period of time could lead to a "sticker shock" among consumers who could believe that operating costs have risen when compared to the FTC's current method of calculation. Additionally, a longer time period for operating cost disclosure could lead to the information becoming outdated over time. Computing

¹ Sample Label 2, 72 Fed. Reg. 6879 (Feb. 13, 2007)

and conveying energy costs on a yearly basis allows the *EnergyGuide* label to remain current to economic conditions and helps consumers understand how the installation of the product will affect their budget.

AHAM also supports the suggestion by the FTC that longer periods of operating cost disclosure could falsely lead consumers to believe that products only last the length of time disclosed on the *EnergyGuide* label. Reporting operating cost based on a yearly timeline remains consistent with the method in which such disclosures are currently presented by the FTC, thus limiting confusion that could arise when the new labels hit the market. Annual operating cost remains a basic measure that supports the mission of “assisting consumers in making purchasing decisions and improving energy efficiency.”² Additionally, annual operating cost easily allows a consumer to compute the average cost based over the life of the product through simple math.

AHAM recognizes that there is regional and even local variability to the cost of energy and, as such, average operating cost may not correctly reflect the cost to each individual consumer. However, we believe that the FTC should utilize only a national average for determining energy cost. A standardized energy cost still allows the FTC and the *EnergyGuide* label to meet its mission - allowing consumers to compare products according to energy usage - despite the fact that the information may not be completely accurate in some areas of the country. An average national energy cost estimate will permit consumers to easily compare products by using one specific measurement. Furthermore, consumers will be able to easily compare products from different vendors, especially those who comparison shop or purchase products via the internet. Consumers who live in multi-state areas could have trouble accurately surveying products in those areas should energy costs be based on state or regional estimates. Therefore, AHAM believes that the FTC should stick to the mission of the Appliance Labeling Law and support one standard measurement for the entire United States.

Range of Comparability

The FTC is proposing to update range of comparability information every five years. AHAM suggests that energy cost information and range of comparability be updated every two to three years in order to keep annual operating cost current and relevant on the *EnergyGuide* label. Established data reporting dates also allow manufacturers to easily plan for data submittal.

Longer intervals between updating range of comparability information would result in a number of products coming into the market with energy usage characteristics that fall outside of the most recent range of comparability. Such cases would be further exacerbated with a lengthening of reporting increments. Comparability for consumers remains key to the mission of the FTC’s labeling rules. Keeping the information up to date and relevant to their budget will allow consumers to most accurately compare products.

² 42 U.S.C. § 6294 (F)

AHAM notes that it is difficult to determine how long products remain available at retail and that regular updates to the range of comparability will still allow consumers to see on the label in which year the estimated operating cost was computed. The disclosure of per unit cost of energy will permit prospective buyers to identify the differences in energy cost each year to make comparisons with more recently labeled products. The disclosure of kWh will also remain constant to allow consumers to compare all products, regardless of the date on the label.

While such cases would be reduced by more frequent updates to the range of comparability, AHAM is also interested in what the FTC proposes for products that lie outside an outdated range of comparability.

Refrigerator Categories

AHAM supports the FTC's proposal to maintain the current refrigerator category designations for different style refrigerators. We stand by our previous comments on this issue. AHAM's research has shown that when purchasing a refrigerator, consumers rank configuration as a top priority.³ Consumers will be able to make informed decisions regarding energy use when allowed to compare refrigerators according to design. Creating a higher profile for annual energy cost on the label will also permit consumers to use this measure to compare models across all categories and to do so with a uniform measurement.

The FTC proposes adding a variation of the following statement to categories of refrigerator-freezer labels to explain that the range on the label is only relative to certain models: "Range for models of similar capacity with automatic defrost, side-mounted freezer, and through-the-door ice."⁴ AHAM is concerned that this statement could add unnecessary confusion for consumers when they are comparing models. There are also many features sought by consumers that are offered on refrigerators. Under this approach, manufacturers would be left to designing, and the FTC left to enforcing, numerous different labels based on different models and features. The primary disclosure of operating cost is already prominently displayed on the label allowing consumers to easily understand the bottom line. We consider the range of comparability to be important, however operating cost will be the single figure that is the most easily used by consumers to compare refrigerators of different design and features. Therefore, the need to address certain variables is outweighed by the benefit of having a simple universal measurement.

The FTC is also proposing an explanatory statement for refrigerators that would refer to the effects of different features on energy use: "Size, door attributes, and ice features affect energy use - so other refrigerators may have lower or higher operating

³ EnergyGuide Label Study, Synovate, January 2006 (AHAM)

⁴ 72 Federal Register 6854 (Feb. 13, 2007)

costs.”⁵ Again, AHAM believes this statement is unnecessary as consumers can already identify which models cost more to operate or use more energy based on the disclosures on the label.

The inclusion of both of these statements would confuse consumers, is redundant and would further crowd the label. In light of these facts, requiring these statements on refrigerator and refrigerator-freezer labels conflicts with Congress’s directive to “improve the effectiveness of consumer product labels.”⁶

The FTC is seeking comment on refrigerator-freezers with a bottom-mounted freezer and through-the-door ice. At this time, there are not a significant enough number of these products on the market to warrant a change in category designation. AHAM would provide comment on proposed changes at the appropriate time should the sale of these products continue to expand.

Disclosure of Efficiency Rating

AHAM reiterates our previous comments regarding the proposal to add efficiency ratings for appliances to the *EnergyGuide* label. This information would only be found confusing to consumers and would not assist them in making purchasing decisions on the basis of energy use or operating cost since efficiency ratings are technical measurements. Therefore we oppose adding modified energy factor to appliance labels.

Appliance Label Placement Requirements

AHAM supports the FTC’s proposed changes to clarify the rules regarding the placement of the *EnergyGuide* label on products. The *EnergyGuide* label should be placed in a prominent location allowing all consumers to easily find and read the label. AHAM supports prohibiting allowing the label to be attached by a hang tag externally on a product in order to ensure that the *EnergyGuide* label remains available on all products. Such tags can be damaged or accidentally removed during distribution and therefore may be absent when products reach retail. Consumers are best equipped to easily compare products when the information is presented clearly among all models.

Catalog Requirements for Labels

AHAM supports the FTC’s proposed changes to the catalog and internet requirements regarding the elimination of the requirement to display range of comparability information. These changes will allow manufacturers to more clearly present the relevant information needed to consumers when comparison shopping through a catalog or on the internet.

⁵ 72 Federal Register 6854 (Feb. 13, 2007)

⁶ Id. at page 3

Amending Clothes Washer Label

AHAM supports removing the 2004 DOE headline from the clothes washers label. This statement is outdated and no longer relevant to the product.

Refrigerator and Freezer Reporting Requirements

AHAM takes no issue with the proposal to require submittal by manufacturers of the adjusted volume of their refrigerators and freezers. This data is currently submitted to DOE and thus submittal to the FTC would not be onerous.

Brand Name Reporting

AHAM opposes the FTC's proposed requirement to report brand names of products if they differ from the manufacturer. Often times, brands are directed at different market segments so there is a benefit to maintaining numerous brands. The proposed requirement would weaken brand identification that is often sought by consumers. Additionally, there are competitive advantages to not disclosing which brand names are maintained by each manufacturer. Therefore, AHAM believes the Commission should not adopt this requirement.

Summary

AHAM believes that all actions undertaken by the FTC in relation to the Appliance Labeling Rule should support the intent of EPACT to improve the effectiveness of the *EnergyGuide* label. The FTC proposes to convey energy usage in a manner and measurement that is easily understood by customers by increasing the role of energy cost disclosure. Not only does this information provide customers with the financial implications of their purchase, it also both directly and indirectly encourages them to seek out more efficient products and allows them to determine if such a purchase makes economic sense for them. AHAM supports a clean and easily readable label that will assist all customers in making purchases whether or not energy efficiency is a purchase priority.

Thank you for the opportunity to share our remarks. Should you have any questions please contact me at chudgins@aham.org or (202) 872-5955.

Sincerely,

Chris Hudgins
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